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**HF 569** – Retirement Savings Plan Option (LSB2200HV.1)

Analyst: Jennifer Acton (Phone: (515)281-7846) ([jennifer.acton@legis.iowa.gov](mailto:jennifer.acton@legis.iowa.gov))

Fiscal Note Version – As Amended and Passed by the House

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**Description**

[House File 569](#) concerns authorized investment vehicles in a tax-sheltered investment program established by the Department of Administrative Services (DAS).

**Background**

- The DAS began administering the 403b program on January 1, 2010. The 403b program primarily serves K-12, Area Education Agency (AEA), and community college employees.
- School districts have the option to offer 403b programs to their employees. When offering a 403b program, employers may choose to utilize the core providers and/or the optional providers.
- There are currently 332 employers (school districts, AEA's, and community colleges) and 12,811 participants/investors participating in the State's Retirement Investment Club 403b program. Nineteen school districts utilize both core and optional providers for their employees. The remaining 313 employers use the core providers.
- The 403b program currently has two tiers:
  - The four "core" providers include Horace Mann, Mass Mutual, VALIC, and VOYA. These providers have specific requirements, such as limitations on fees, that plan offerings must meet the State of Iowa Retirement Investment Club (RIC) investment policy and are reviewed annually, and that no surrender or transfer penalties or restrictions are allowed. A request for proposal (RFP) is issued every six years for the core providers. The State is in the second year of a two-year contract period with four one-year extensions available.
  - The five "optional" providers include Annuity Investors LIC, EFS Advisors, AXA Equitable, Lincoln Investment, and Security Benefit. These providers do not have the same restrictions as the core providers. Optional providers are currently required to enter into an agreement with DAS to permit plan sponsor access, allowing DAS to provide electronic submission/approval of contributor loans against investments and/or hardship distributions. Optional providers are selected through an invitation to qualify (ITQ) that is on the same cycle as the RFP for the core providers.
- The common remitter for DAS is VOYA. A common remitter allows employers the ability to remit contributions to investment providers through a single distribution provider. Using a single distribution provider eliminates the need to transmit contributions to each individual employee's investment provider.
- The 332 employers in the 403b program currently pay an annual fee of \$400 per employer to DAS to support the administrative costs of the program. This pays for 1.10 FTE positions in DAS with a total cost of approximately \$136,000, which includes one full-time Human Resources Professional 1 and a part-time (0.10 FTE) Executive Officer 4 position.

**Assumptions**

- In addition to the nine current providers (four core and five optional), the Bill permits an additional 21 providers for a total of 30.
- The Bill requires companies wishing to participate in the 403b program to utilize a third-party administrator selected by DAS and to use a common remitter.

- The DAS anticipates any expenses involved in getting agreements in place with new providers to be negligible.

**Fiscal Impact**

The fiscal impact of House File 569 as amended is anticipated to be minimal.

**Source**

Department of Administrative Services

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/s/ Holly M. Lyons

March 29, 2017

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.  
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